

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 SP-02 AID-05 NSC-05 CIEP-02

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FM AMEMBASSY LA PAZ

TO DEPT OF AGRICULTURE

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AMEMBASSY LIMA

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LIMA FOR AGATT

AGRICULTURE FOR FAS CEP DIVISION

E.O. 11652: N/A

TAGS: EAGR, BL

SUBJECT: CCC WHEAT CREDITS FOR BOLIVIA

REF: STATE 4862

1. SUMMARY: IN ANSWER TO REFTEL BOLIVIA EXPECTS TO IMPORT 100,000 M.T. WHEAT IN 1976 AND IS INTERESTED IN CCC WHEAT FOR ALL OR PART OF THIS AMOUNT, PREFERABLY ON 3 YEAR CREDIT TERMS. MIAN COMPETITION FOR MARKET IS ARGENTINA, WHICH CAN OFFER CIF PRICE \$50-60 PER TON LESS THAN U.S. DUE TO LOWER TOANSPORTATION COSTS. BECUASE OF BOLIVIA'S EXPECTED TIGHT FOREIGN EXCHANGE RESERVE SITUATION IN 1976, HOWEVER, CREDIT TERMS ARE LIKELY TO BE A MAJOR FACTOR IN GOB DECISION ON WHEAT PURCHASE. EMBSFSY BELIEVES THREE YEAR CCC CREDIT TERMS WOULD BE MADE AVAILABLE IN ORDER TO COMPETE WITH ARGENTINA.

2. BOLIVIA'S WHEAT IMPORTS FOR CALENDAR 1971-1975 WERE AS UNCLASSIFIED

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FOLLOWS: (IN THOUSANDS OF METRIC TONS)

	FROM	FROM	FROM	FROM	FROM
	TOTAL	U.S.	ARGENTINA	OTHER	
1971	60	9	3	51	
1972	47	43	1	3	
1973	71	71	-	-	
1974	59	46	3	10	
1975 (EST)	55	20	20	15	

3. OVER HALF DOMESTIC CONSUMPTION OF WHEAT AND FLOUR WILL BE MET THROUGH IMPORT IN 1976. THE GOB HAS ADVISED EMBASSY THEY PLAN TO IMPORT 100,000 M.T. OF WHEAT. SHARP INCREASE IN ANTICIPATED IMPORTS OVER 1975 AMOUNT OF 55,000 M.T., DUE TO TWO FACTORS:

1) UNDER 1974 DECREE NO. 11385, FREE WHEAT AND FLOUR IMPORTS PERMITTED STOCK-BUILDING WHICH COVERED LARGE PART DEMAND 1975. (SEE LA PAZ -43 OF MARCH 21, 1975.) DECREE EXPIRED 5/18/75; AND STOCKS DEPLETED. 2) NATIONAL SOCIE Q OF MILLERS HAVE UNDERTAKEHV PROGRAM TO EXPAND WHEAT MILLING CAPACITY FROM PRESENT 570 M.T. PER DAY TO 820 M.T. BY 1977 TO MEET GROWING MARKET DEMAND. EMBASSY SENDING MORE DETAILED WHEAT AND FLOUR PRODUCTION AND

IMPORT DATA BY AIRGRAM.

4. UNTIL 1975, THE PRIMARY SOURCE OF WHEAT IMPORTS WAS U.S. PL 480, TITLE I. ARGENTINA'S PRICES FOR EXPORTED WHEAT HAVE BEEN CONSISTENTLY LOWER THAN U.S. PRICES, BUT COULD NOT COMPETE WITH PL 480, TITLE I CREDIT TERMS. BGR THIS REASON, BOLIVIA HAS PURCHASED THE MAJORITY OF ITS WHEAT GRAIN IMPORTS FROM THE U.S., RELYING ON ARGENTINA TO MEET FLOUR NEEDS.

5. IN 1975, WITH EXPIRATION OF PL 480, TITLE I, ARGENTINA SUPPLIED 36 PERCENT OF BOLIVIA'S WEHAT IMPORTS AND URUGUAY 27 PER-CENT, BUT POOR CROPS IN BOTH COUNTRIES PREVENTED THEM FROM COMPLETELY FILLING BOLIVIAN NEEDS, RESULTING IN A BOLIVIAN PURCHASE ON COMMERCIAL TERMS OF 20,000 M.T. FROM CARGILL IN LATE 1975. CARGILL'S SHIPMENT IN 1975 WAS FOB \$166 AND CIF TO MILL \$245.50, APPROXIMATELY \$60 HIGHER THAN ARGENTINIAN PRICES, WHICH APPROXIMATED \$165 PER TON FOB AND \$185 CIF TO SUCRE, BOLIVIA.

6. ARGENTINA WILL BE THE MAIN COMPETITION FOR BOLIVIA'S WHEAT MARKET IN 1976, WITH A REPORTED BUMBPER CROP ANB AN EXPECTED UNCLASSIFIED

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PRICE OF \$160 PER TON FOB AND \$181.50 PER TON CIF. UNDER A RECEIPROCAL CREDITS AGREEMENT, ARGENTINA AND BOLIVIA EXCHANGE WHEAT GRAIN AND FLOUR FOR PET-ROLEUM AND NATURAL GAS. THUS, INSTEAD OF A FORMAL REPLAYMENT AGREEMENT, BOLIVIA SUPPLIES EQUIVALENT DOLLAR VALUES OF PETROLEUM AND NATURAL GAS FOR WHEAT OBTAINED FROM ARGENTINA ON A YEARLY BASIS.

7. EMBASSY BELIEVES U.S. CREDIT TERMS WILL BE A MAJOR FACTOR IN THE GOB'S WHEAT PURCHASES IN 1976, IN VIEW OF THE DIFFICULT BALANCE OF PAYMENTS SITUATION FORECAST FOR THE YEAR. THE NEED TO PAY FOR WHEAT PURCHASES IN CURRENT TERMS IN DQOUT ADDED SIGNISH OHM
LY TO THE COUNTRY'S FOREIGN EXCHANGE COSTS, COMPARED TO PREVIOUS YEARS WHEN MOST WHEAT IMPORTS FROM THE U.S. WERE ON PL 480, TITLE I TERMS. FOR EXAMPLE THE INITIAL PAYMENT FOR 1973 PL 480, TITLE I IMPORTS WAS \$644,300 WITH NO FURTHER PAYMENT DUE UNTIL 1977. IN CONTRAST, 1975 COMMERCIAL WHEA IMPORTS COST ON ESTIMATED \$10 MILLION IN FOREIGN EXCHANGE. SUCH WHEAT IMPORTS IN 1975 WERE SUSTAINABLE BECAUSE OF RELATIVELY FAVORABLE FOREIGN EXCHANGE POSITION ATTAINED IN 1974. BOLIVIA'S RESERVES FELL BY ABOUT 35 PERCENT IN 1975, HOWEVER, AND A SUBSTANTIAL DEFICIT IS EXPECTED IN 1976, DOLLAR OUTFLOWS TO COVER COMMERCIAL PURCHASES OF WHEAT WHOULDN'RJT ADDITIONAL PRESSURE ON AVAILABLE RESERVES.

8. THE GOB INDICATES THAT WHEAT DELIVERIES SHOULD BEGIN IN APRIL, 1976, AS IMPORTS RECEIVED BY BOLIVIA AT THE END OF 1975 ARE EXPECTED TO COVER DOMESTIC NEEDS THROUGH APRIL. THEN DELIVERIES SHOULD PROCEED ON THE BASIS OF 20,000 M.T. PER MONTH.

9. ACTION REQUESTED: THE EMBASSY RECOMMENDS THAT IN ORDER TO COMPETE WITH LOWER CIF PRICES LIKELY TO BE OFFERED BY ARGENTINA, THREE YEAR CCC CREDITS BE MADE AVAILABLE FOR PURCHASE OF 100,000 M.T. OF WHEAT IN 1976. A FAVORABLE AGREEMENT IS LIKELY TO LEAD TO FUTURE BOLIVIAN WHEAT PURCHASES UNDER THE CCC PROGRAM.
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